

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
APPAREL OF CIRCULAR SINGLE KNIT JERSEY FABRIC
FROM CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-458-018

October 2004



Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-458-018

Products	Women's and girls' nightwear of circular single-knit jersey fabric
Requesting Parties	Jaclyn, Inc., New York, NY
Date of Commission Report: USTR Public	October 12, 2004 October 13, 2004
Commission Contact	Brian Allen (202-708-4728; brian.allen@usitc.gov)

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON OCTOBER 12, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***) .

Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports from eligible Caribbean Basin countries of women's and girls' nightwear containing certain circular single-knit jersey fabric, regardless of the source of the fabric, would likely have no effect on U.S. fiber, yarn, and fabric producers and their workers because there is no known domestic production of the subject fabric. There are also no known U.S. producers of the subject apparel. Therefore, the proposed preferential treatment would likely have no effect on any U.S. producers of women's and girls' knit nightwear and their workers. Further, the proposed action would likely benefit U.S. firms making apparel in eligible countries from the subject fabric, and their U.S.-based workers, as well as U.S. consumers.

Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). This investigation provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

The Commission's advice in this report relates to a petition received by CITA on August 31, 2004, alleging that certain circular single-knit jersey fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from such fabric, regardless of the source of the fabric. The President is required to submit a report to the House Committee on Ways and Means and to

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Feb. 9, 2004 (69 F.R. 6003) and consult the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

Discussion of the product

The petition states that the jersey fabric is classified in subheading 6006.32.00 (statistical reporting number 6006.32.0080) of the Harmonized Tariff Schedule of the United States (HTS), as a dyed, knitted or crocheted fabric of synthetic fibers, not of double-knit or interlock construction. The general rate of duty on such fabric is 10 percent ad valorem.

The petition states that the jersey fabric will be used to make women's and girls' two-piece pajamas and nightdresses (hereinafter referred to as nightwear). These items are classifiable under subheading 6108.32.00 (statistical reporting numbers 6108.32.0010 and 6108.32.0025)³ of the HTS and dutiable at the general rate of 16 percent ad valorem in 2004.

The petition describes the fabric as a piece-dyed single-knit jersey fabric with a jacquard geometric rib stitch.⁴ The subject fabric consists of 64 percent polyester, 34 percent cotton, and 2 percent spandex by weight. The fabric is made of spun yarn with a filament core. The yarn size is 54.14 metric (32/1 English). The petition states that the fabric's stretch characteristics are 45 percent from a relaxed state and 95 percent recovery to a relaxed state. The petition also states that the fabric must be knit on a jacquard machine in order to provide the "unique and complex geometric pattern and puckered effect."

The petitioner, Jaclyn, Inc., states that this fabric is "very lightweight" and "semi-transparent" and is a newer fabric that has not been available previously in the U.S. market and not available previously with the fabric's specific "type" of puckering. As the fabric will be used for women's and girls' nightwear, Jaclyn states that the "softness and hand feel" (hand) of the fabric are important to its commercially successful use.⁵

Jaclyn sources the fabric from ***⁶ and in 2004 plans to use *** of the fabric. *** sends the fabric to ***, which manufactures the nightwear.⁷ The petitioner's web site states that Jaclyn Apparel, a division of Jaclyn, Inc., provides sleepwear to department stores, mid-tier retailers, and national chains.⁸ Jaclyn states that the nightwear at issue will be sold ***.⁹

The composition of the yarn used to knit the fabric appears to be the defining characteristic that meets the petitioner's stated needs for this fabric. Jaclyn states that it "experimented" at the factory with different weights and fiber content mixtures in spinning the yarn and determined that this blended yarn (64 percent

² In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ Commission staff believes that the goods in question represent only a small percentage of the total imports under the category in question.

⁴ Information in the paragraph is from the petition filed with CITA on behalf of Jaclyn, Inc., by Sandler, Travis & Rosenberg, P.A., Aug. 30, 2004.

⁵ Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), telephone interview by Commission staff, Sept. 14, 2004.

⁶ Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), e-mail to Commission staff, Sept. 25, 2004.

⁷ Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), telephone interview by Commission staff, Sept. 14, 2004. *** Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), telephone interview by Commission staff, Oct. 5, 2004.

⁸ See <http://jaclyninc.com/jaclyn-apparel.html>.

⁹ Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), telephone interview by Commission staff, Sept. 14, 2004.

polyester/32 percent cotton/2 percent spandex) when knitted into fabric on a 24-gauge machine was “best” for Jaclyn and its customer.¹⁰

Discussion of affected U.S. industries, workers, and consumers¹¹

All of the U.S. knitting mills that the petition indicated were contacted by the petitioner were also contacted by Commission staff.¹² Jaclyn stated that the mills contacted all responded that they did not have the “very specialized machinery” required to make the puckered fabric.^{13 *** 14 *** 15 *** 16 ***} Additionally, ***.¹⁷

Commission staff located no U.S. companies that manufactured women’s and girls’ nightwear of this fabric domestically.¹⁸

Jaclyn stated that *** for these pajamas and nightdresses of this fabric.¹⁹

Views of interested parties

No written submissions were filed with the Commission.

¹⁰ Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), telephone interview by Commission staff, Sept. 17, 2004. A yarn composition different from the one that Jaclyn has created would reportedly have a different hand and a different weight. For example, decreasing the polyester content from Jaclyn’s 64 percent to 60 percent (a more common percentage in the U.S. fabric industry) would allegedly result in a different hand for the fabric. Similarly, decreasing or increasing the spandex content would affect the fabric’s stretching characteristics. Further, a different composition for this fabric would result in a heavier or lighter yarn, which would affect the weight of the final knitted fabric.

Jaclyn stated that use of a 24-gauge knitting machine is crucial for this fabric because, in its experiments, Jaclyn determined that 24-gauge fabric is the most “efficient” and produces the least amount of waste fabric during the manufacturing process. *Ibid.* The term “24-gauge” refers to the number of metal needles per inch affixed to the knitting cylinder. Machines using 24-gauge cylinders produce fabric that is denser than machines using 18-gauge cylinders but less dense than machines using 28-gauge cylinders. Denser fabric is also heavier than less dense fabric, a characteristic that, if not desired, can be alleviated by using lighter yarns, which can be created by changing the composition of the yarn. As noted, Jaclyn states that the composition of the yarn is important to the softness and hand of their desired fabric.

¹¹ In general, the manufacturing progression for textiles is: (1) fibers are processed into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods.

¹² The National Council of Textile Organizations and the National Textile Association were contacted for information on other potential U.S. knitting mills that might produce this fabric. Jim Schollaert, American Manufacturing Trade Action Coalition, and Mike Hubbard, National Council of Textile Organizations, telephone interviews by Commission staff, Sept. 15, 2004.

¹³ Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), telephone interview by Commission staff, Sept. 14, 2004. Counsel for the petitioner stated that 24-gauge knitting machinery is manufactured primarily in Japan and is not prevalent in U.S. companies, which have purchased most of their knitting machinery from Europe, where 18-gauge and 28-gauge knitting machinery manufacturing predominate. (Commission staff also received a comment about the use of 32-gauge knitting machinery in the United States.) Changing the cylinders and some other parts on the knitting machines would transform a machine from one size gauge to another, but that operation would result in companies incurring equipment expenses (different size gauge cylinders) and losing productivity as the machines being altered sit idle. Charles Bremer, Sandler, Travis & Rosenberg, interview by Commission staff, Sept. 16, 2004.

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¹⁸ A representative of the American Apparel and Footwear Association (AAFA) stated that there would be very few, if any, U.S. manufacturers of nightwear. Steve Lamar, AAFA, telephone interview by Commission staff, Sept. 27, 2004. Commission staff also attempted to contact a representative of Sara Lee Knit Products for this information. The petitioner also stated that they knew of no U.S. manufacturers of nightwear. Gary Shepard, Director of Manufacturing, Jaclyn Apparel (a division of Jaclyn, Inc.), e-mail, Sept. 25, 2004.

¹⁹ Commission staff was unable to contact representatives of *** for comments.

Probable economic effect advice²⁰

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports from eligible CBTPA beneficiary countries of apparel containing the subject jersey fabric, regardless of the source of the fabric, would likely have no effect on U.S. fiber, yarn, and fabric producers and their workers as there is no known domestic production of the subject fabrics. In addition, because of the specific fabric properties—specific size, light weight, and soft hand—required by the customer, information available to the Commission indicates that there is no domestic production of jersey fabric that could be substitutable for the subject fabric.

Based on information available to Commission staff, the proposed preferential treatment likely would have no effect on U.S. apparel producers and their employees because there are no known U.S. producers of the subject apparel. Imports supply most of the domestic market for women's and girls' nightwear.²¹ The expected increase in imports of apparel made in eligible CBTPA countries from the subject jersey fabric would likely displace mostly imports from other countries because consumers would choose this nightwear material over another type. The proposed preferential treatment would likely benefit U.S. firms making apparel in eligible CBTPA countries with the subject jersey fabric by increasing the supply and availability of such fabrics. The proposed preferential treatment also would likely benefit U.S. consumers of apparel made from the subject fabric to the extent that importers pass on some of the duty savings to retail consumers.

²⁰ The Commission's advice is based on information currently available to the Commission.

²¹ Steve Lamar, AAFA, telephone interview by Commission staff, Sept. 27, 2004.